INSTRUCTIONS TO CANDIDATES

Do not open this booklet until you are told to do so.

Write your name, centre number and candidate number in the spaces provided on the answer paper.

There are ten (10) questions in this paper. Answer any five questions.

Write your answers on the separate answer paper provided.

If you use more than one sheet of paper, fasten the sheets together.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.

Calculators may be used.

Cell phones are not allowed in the examination room.
Answer any five (5) questions.

(a) What do you understand by commercial activities?

(b) Show why commercial activities are essential to those engaged in farming.

(c) List six advantages of being a Sole Trader.

(b) State the main features of Public Corporation.

(c) What does the Memorandum of Association of a company contain?

Chimimba & Sons Limited a manufacturer makes China and Pottery table ware to sell at home and abroad.

(a) What are the functions of the wholesaler to the:

(i) manufacturer,

(ii) retailer.

(b) How would Chimimba & Sons Limited eliminate the wholesaler from its selling operations in the home market?

(c) Why would eliminating the wholesaler be an advantage to:

(i) Chimimba & Sons Limited,

(ii) The Company’s Customers.

(a) Briefly describe five main characteristics of Hire Purchase.

(b) Mr Chris Zimba wants to buy a television set which has a cash price of K3 000 000. If bought through Hire Purchase it would require a 10% deposit followed by 24 monthly instalments of K200 000.

(i) Calculate showing your workings, the extra cost of buying the television set on Hire Purchase.

(ii) State three advantages and three disadvantages of Mr Chris Zimba buying through Hire Purchase.

(iii) Apart from hire purchase, state two other methods of credit which Mr Chris Zimba might have used to buy the television set.
5 Explain briefly on five of the following:
(a) Electronic mail (e-mail) [4]
(b) Cellular phones [4]
(c) Express mail [4]
(d) Confravision [4]
(e) Transfer charge call [4]
(f) Poste Restante [4]

[20]

6 The main purpose of advertising is to create demand, promote and increase sales. The manufacturer of soaps and detergents spends much money on advertising.
(a) Explain two forms of advertising which they use. [4]
(b) State and discuss the most effective medium of advertising soaps and detergents. [6]
(c) What are the other uses of advertising other than to promote sales? [5]
(d) What is code of advertising practice? [5]

[20]

7 (a) Explain the functions of the Central Bank. [10]
(b) What is the role of the Central Bank in the interbank clearing system? [4]
(c) Derrick Kafupi who banks with Finance Bank – Kamwala branch gives out a cheque of K1 000 000 to George Thengele who banks with Indo Zambia Bank Ndola Branch. Describe how Kafupi’s cheque will be cleared. [6]

[20]

8 In connection with foreign trade, explain:
(a) the advantages of containerisation. [6]
(b) the uses of O.B.O ships and Roll-on-roll-off ships. [4]
(c) The functions of the:
   (i) Bill of Lading [6]

[20]
(a) Insurance demands both honesty on the part of those involved and fair compensation for the insured. Explain how utmost good faith and indemnity seek to achieve these details. [10]

(b) John Banda wishes to insure a motor vehicle and completes an insurance proposal form.

(i) What is an insurance proposal form? [2]
(ii) Explain its importance to:
- John Banda [5]
- Insurance Company [3]

The following information relates to two firms in the hardware trade.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Mark-up on cost price</th>
<th>Turnover</th>
<th>Rate of stock-turn</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>25%</td>
<td>K50 000 000</td>
<td>4</td>
<td>K400 000</td>
</tr>
<tr>
<td>B</td>
<td>33 (\frac{1}{3}) %</td>
<td>K30 000 000</td>
<td>5</td>
<td>K200 000</td>
</tr>
</tbody>
</table>

(a) Calculate the gross profit and net profit for each firm. [12]
(b) Calculate the average stock for each firm. [3]
(c) What is the percentage of net profit for each firm in relation to sales? [3]
(d) Which of the two firms do you consider to be the most profitable. Give two reasons for your answer. [2] [20]